

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 SS-15 NSC-05 SP-02 L-03 H-02 EB-07

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FM AMEMBASSY COTONOU

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C O N F I D E N T I A L COTONOU 1351

E.O. 11652: GDS

TAGS: EINV, DM, US

SUBJ: INDEMNIFICATION OF MOBIL OIL: MOBIL ACCEPTS

REF: A. COTONOU 612, B. COTONOU 602

SUMMARY: MOBIL OIL REPRESENTATIVES VISITED EMBASSY ON WAY TO AIRPORT MORNING OF AUGUST 14 TO FILL US IN ON RESULTS THEIR LATEST NEGOTIATIONS WITH BENINESE INDEMNIFICATION COMMISSION. THEY PREFACED THEIR ACCOUNT OF NEGOTIATIONS WITH HIGHEST PRAISE FOR HONESTY AND APPRENT GOOD INTENTIONS OF BENINESE COMMISSION, SAYING THAT THIS THE MOST FORTHCOMING GROUP WITH WHOM THEY HAD MET. FINAL SETTLEMENT OF 53 MILLION CFA WAS "BELOW MINIMUM MOBIL AUTHORITY TO SETTLE", ACCORDING TO LEADER OF MOBIL TEAM, BUT THEY ACCEPTED AFTER BENINESE COMMISSION OFFERED TO PAY ENTIRE SUM BEFORE SEPTEMBER 30, 1976. EMBASSY NOTES POSSIBLE INCLUSION OF GPRB ERRORS, OTHER FACTORS, MIGHT HAVE ENCOURAGED IMMEDIATE MOBIL ACCEPTANCE. END SUMMARY.

1. MOBIL REPS DUNN (LAWYER FROM MOBIL PARIS), YDIER (ABIDJAN-BASED MANAGER FOR ENTENTE COUNTRIES), AND FRIEXA (ACCOUNTANT FROM PARIS OFFICE) FLEW INTO COTONOU FRIDAY 13TH AUGUST FOR NEGOTIATIONS ON REVISED CLAIM SUBMITTED TWO WEEKS AGO. MEETING WITH SAME GPRB INDEMNIFICATION
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COMMISSION AS THEY AND TEXACO HAD DEALT WITH BEFORE

(REF B), MOBIL HAD A SIGNED PROTOCOL BY FRIDAY EVENING, THE TERMS OF WHICH ESTABLISHED A 53 MILLION CFA (DOLS 212,000 AT CURRENT EXCHANGE RATE) AS FINAL SETTLEMENT. KEY TO RAPID ACCEPTANCE ON MOBIL'S PART WAS GPRB'S OFFER TO MAKE ENTIRE PAYMENT BEFORE END THIS SEPTEMBER.

2. DUNN GAVE HIGHEST MARKS TO GPRB COMMISSION ON ITS HONESTY, SINCERITY AND ACCURACY. HE COMPARED HIS EXPERIENCE HERE MOST FAVORABLY WITH THAT OF NEGOTIATIONS IN MOROCCO, FOR EXAMPLE, WHERE HE CLAIMED DUPLICITY REIGNED SUPREME, OR GUINEA, WHERE MOBIL IS SATISFIED WITH SETTLEMENT BUT NEVER EXPECTS TO RECEIVE ANY PAYMENT.

3. ON SPECIFIC ISSUE OF INDEMNIFICATION FOR FIXED ASSETS, DUNN CHARACTERIZED GPRB COMMISSION'S FINAL OFFER OF 15 MILLION CFA (20 PCT OF 75 MILLION) AS "REASONABLY DECENT". WHEN EMBOFF NOTED THIS APPARENTLY EVEN INCLUDED VALUATION OF PUBLIC DOMAIN LAND, WHICH GPRB HAD PREVIOUSLY EXCLUDED FROM CONSIDERATION (REF A), DUNN ADMITTED THIS WAS SO.

4. ON QUESTION OF GOOD WILL, MOBIL HAD INITIALLY ASKED 58 MILLION CFA, WHICH DUNN CHARACTERIZED AT THIS TIME AS "NOT TOO SOLID", ADDING THAT MOBIL HAD "GUESSED THEY MIGHT ULTIMATELY RECEIVE 15 MILLION." COMMISSION THIS TIME OFFERED THEM 17 MILLION, WHICH THEY IMMEDIATELY ACCEPTED.

5. WHEN FINAL TOTAL OF 53 MILLION OFFER WAS MADE TO DUNN, HE CLAIMED IT WAS BELOW HIS AUTHORITY TO SETTLE, BUT THAT IF GPRB WOULD AGREE TO PAY INTEREST, EVEN STANDARD BENINESE BOND INTEREST, FROM THE DATE OF NATIONALIZATION (DEC 1974), HE COULD ACCEPT. DUNN SAID HE SUGGESTED THIS MIGHT EVEN BE PUT INTO "GOOD WILL" TOTAL, WHERE IT WOULD NOT STAND OUT, BUT COMMISSION LEADER BABA-MOUSSA (WHO DID VIRTUALLY ALL NEGOTIATING) HUDDLED WITH HIS TEAM AND FINALLY CAME UP WITH OFFER TO MAKE SINGLE PAYMENT OF SUM PREVIOUSLY OFFERED BEFORE END SEPTEMBER. INITIAL GPRB COUNTER-PROPOSAL THIS TIME HAD INCLUDED PAYMENT OF 50 PCT, 30 PCT AND 20 PERCENT, PAYABLE IMMEDIATELY. JUNE 1977 AND DECEMBER 1977, WHICH DUNN NOTED WAS ALREADY BETTER THAN TERMS OFFERED TOTAL OR DEPP.

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6. DUNN DECIDED TO ACCEPT THIS RATHER THAN BREAK OFF NEGOTIATIONS, BUT IN A FINAL EFFORT TO SWEETEN THE POT A LITTLE ASKED THAT PAYMENT BE MADE AT THE EXCHANGE RATE IN EFFECT AT THE TIME OF NATIONALIZATION. GPRB COMMISSION REFUSED, SAYING SETTLEMENT WOULD BE MADE (APPARENTLY BY STATE-RUN PETROLEUM DISTRIBUTION COMPANY SONACOP) INTO MOBIL ACCOUNT IN PARIS MORGAN GUARANTY TRUST. MOBIL WAS WELCOME TO EXCHANGE IT HOWEVER IT SAW FIT.

7. BABA MOUSSA VISITED DUNN'S HOTEL ROOM LATER SAME EVENING WITH FINAL PROTOCOL ON SETTLEMENT, AND MOBIL TEAM WAS ON FLIGHT OUT OF COTONOU SATURDAY NOON.

8. ON LEAVING EMBASSY, DUNN AND YDIER LAMENTED GPRB'S "CRAZY SOCIALIST THING," SAYING THEY WOULD BE MORE THAN HAPPY TO SEE MOBIL STAY AND CONTINUE TO DO BUSINESS HERE. BOTH ALSO REPEATED THEIR PLEASURE AT NEGOTIATING WITH SUCH AN HONEST, SINCERE AND COMPETENT COMMISSION, AND EXPRESSED CONFIDENCE THAT SONACOP CAN AND WILL MAKE TIMELY PAYMENT.

9. COMMENT: ALTHOUGH DUNN SAID HE WAS PROMPTED TO SETTLE "BELOW HIS AUTHORITY" PARTLY BECAUSE HE DID NOT WANT TO BREAK OFF NEGOTIATIONS AND GIVE THE COMMISSION A CHANCE TO "COME UP WITH ANY OTHER CRAZY COMPUTATIONS," WE NOTE THAT BOTH DUNN AND YDIER GAVE ALL APPEARANCES OF BEING MOST SATISFIED. DUNN ALSO ADMITTED THAT CONCERN THAT GPRB MIGHT GO OFF CFA IN FAVOR OF ITS OWN NON-CONVERTIBLE CURRENCY (RUMOR WE HAVE HEARD UPON OCCASION) MIGHT HAVE INFLUENCED HIS DECISION. WE FIND IT PARTICULARLY CURIOUS THAT BENINESE COMMISSION SHOULD HAVE INCLUDED VALUATION OF PUBLIC DOMAIN PROPERTIES IN COMPUTATION OF FIXED ASSETS, AND THAT EVEN INITIALLY-OFFERED PAYMENT SCHEDULE WAS BETTER THAN TOTAL AND DEPP (OIL-IMPORTER CONSORTIUM IN WHICH MOBIL HELD 20 PCT PARTICIPATION) FINALLY SETTLED ON. IN VIEW OF HIGH LEVEL OF ACCURACY INDEMNIFICATION COMMISSION BROUGHT TO ALL OTHER ASPECTS THIS NEGOTIATION, WE BELIEVE THESE MIGHT HAVE BEEN INCLUDED AS SWEETENERS TO ENCOURAGE IMMEDIATE ACCEPTANCE LAST FRIDAY.
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